

DIVERSIFIED UNITED INVESTMENT LIMITED

ABN 33 006 713 177

CHAIRMAN'S ADDRESS

DELIVERED BY MR CHARLES GOODE AT THE THIRTEENTH ANNUAL GENERAL MEETING OF THE COMPANY HELD AT LEVEL 5, 161 COLLINS STREET, MELBOURNE ON WEDNESDAY 6 OCTOBER AT 9.00 AM

Ladies and Gentlemen,

Welcome to the thirteenth Annual General Meeting of Diversified United Investment Limited.

I can report that in the latest year there was a satisfactory increase in the Company's profit (before net gains on long term investments) and in the dividend, while the accumulation of the net asset backing per share plus dividends rose faster than the S&P/ASX300 Accumulation Index.

The operating profit after income tax and before net gains on long term investments was \$10.9m. in the period to 30 June 2004, an increase of 48%, or \$8.2m and an increase of 11.3% excluding the Foster's Group and Telstra Corporation special share buy-back dividends of \$2.7M. This profit is equivalent to earnings per share of 10.9 cents or 8.2 cents excluding the special dividends.

The year's result reflects a good increase in income from dividends of \$2,989,000 whilst trust income decreased by \$128,000, interest income increased \$156,000, borrowing costs were \$186,000 higher and there was a small profit on the close out of the trading portfolio.

Bank borrowings were \$34.5 million at the end of the financial year (previous year \$25 million) modestly gearing the portfolio by around 14%.

Operating expenses remained steady at 0.30% of the average market value of the portfolio.

A final fully franked dividend of 4.75 cents per share has been declared which with the interim dividend of 2.75 cents brought the dividend for the year to 7.5 cents per share, an increase of 0.5 cents per share or 7.1% over last year. This is the twelfth consecutive year in which the dividend has been increased.

The net tangible asset backing per share after provision for the final dividend and based on investments at market values and after provision for

tax on net realised gains, but not unrealised gains, increased from \$1.74 at 30 June 2003 to \$2.10 at 30 June, 2004, a rise of 21%.

This rise was in a year in which world equity markets rose strongly – in the USA the Dow Jones Index rose 16.1%; the Financial Times 100 rose 10.7%, the German market rose 26% and the Australian S&P/ASX 200 Index rose by 16.7%.

Over the last seven years the performance of an investment in DUI based on the Net Asset Backing per share, assuming all dividends were reinvested, has grown 9.4% per annum compound compared with 7.8% per annum compound for the S&P/ASX 300 Accumulation Index. In the year to 30 June 2004, the DUI net asset backing accumulation rose 24.7% while the index rose 22.4%.

The Annual Report provides details of the investments of the Company at 30 June 2004 and 30 June 2003, and the proportion of the market value of the investment portfolio held in each company.

The investment portfolio comprises investments in the equities of 40 companies listed in Australia (96.0% of the portfolio); in the converting preference shares or convertible notes of two companies (0.9% of the portfolio); in two listed property trusts (2.6% of the portfolio); and cash (0.5% of the portfolio).

Our target asset allocations were revised during the year and are now 95% Australian equities, 0% international equities, 2% fixed interest securities and cash and 3% property companies and trusts.

The largest 25 equity investments comprised 83.8% of the portfolio and the details are set out on page four of the Annual Report.

The largest industry sectors were banking 26.5%; resources 18.2%; and leisure 6.6%.

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Corporate Governance:

The Company has adopted corporate governance principles in accordance with the Australian Stock Exchange Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations". The principles adopted and any material departures from the recommendations, are outlined in the Corporate Governance Statement in the Annual Report and on the Company's website.

Outlook:

The year past has been a very favourable one for the Australian share market and our Company.

We have experienced one of the best corporate reporting seasons in memory and a number of dividend increases.

The economy is growing at 3% - 4%, consumer price inflation is 2% - 3% and may increase moderately and similarly interest rates are historically low with expectations of some increases. The combination of increased government expenditure within a balanced budget and low interest rates continues to stimulate our economy. The broader global scene is positive and Australia has been a beneficiary of China's extraordinary economic growth.

This euphoric environment has been accompanied by record Australian share prices without a speculative bubble. However at the current share market level we are finding it more difficult to add good yield stocks to our portfolio. The difficult question is whether the favourable outlook is fully reflected already in share prices and whether there will be an unexpected development in world confrontation, terrorism, oil prices, the manner in which China addresses a planned slow-down from an unsustainably high growth rate, and if USA starts to address its twin deficits. The U.S. Government budget deficit and the U.S. current account deficit have the capacity to be significant destabilising factors. The position of the U.S. dollar as the premier world currency is allowing the addressing of these problems to be deferred.

In this environment on balance we are hopeful of a reasonable year. We have moved the portfolio more towards leading companies and increased the proportion in resource companies and introduced a number of infrastructure stocks.

Our net asset backing per share based on investments at market values and after provision for tax on net realised gains, but not unrealised gains, and after provision for the final dividend was \$2.10 at 30 June 2004 and \$2.29 at 30 September, 2004.

Charles Goode
Chairman